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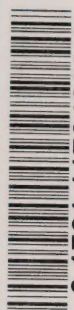
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SOCIAL SECURITY
BACKGROUND



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National Council
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SOCIAL SECURITY BACKGROUNDER #1

FIRST THOUGHTS ABOUT REFORMING SOCIAL PROGRAMS:

UNEMPLOYMENT INSURANCE AND WELFARE

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Unemployment insurance and welfare are Canada's most important social safety nets for people under the age of 65, and the two programs are different in almost every respect. The only common feature is that both programs are open-ended, designed specifically to cover everyone who qualifies. Because of this, it is difficult to predict the cost of either program or the number of beneficiaries from year to year. The unemployment rate is a major factor in determining reliance on UI or welfare, but it is not the only factor.

Unemployment insurance was designed to replace a portion of an individual's income during a temporary period of unemployment. By definition, people who are covered by UI are people in the labour force who are able to work. It was originally assumed that people receiving UI benefits would be able to find work by the time their benefits ran out. Self-employed people are not eligible for the program.

UI is financed by contributions from workers and employers. Benefits are calculated as a percentage of insurable earnings and are paid for no more than 50 weeks during any single claim period. No consideration is given to the actual financial needs of recipients or the needs of their dependents.

Welfare was designed as a program of last resort for people with little or no income from other sources. It covers all people in need, regardless of the reasons for their financial hardships, and there are no fixed limits on the length of time people can receive help. Children and people with disabilities make up close to half of the individuals on welfare. Some of the others, notably single-parent mothers with very young children and older people with poor job qualifications, may face special problems in finding suitable jobs.

Welfare is financed entirely by governments. Normally, the cost would be shared 50-50 by the federal and provincial governments, but the federal share has been capped since 1990 in the three "have" provinces: Ontario, Alberta and British Columbia.

Eligibility for welfare is determined by a "needs test," but the level of welfare benefits is more or less arbitrary and varies greatly from jurisdiction to jurisdiction. In the case of families, benefits are based on the needs of the entire family unit.

No matter how governments decide to reform social programs, there will always be a need for some kind of program to assist workers during temporary absences from the work

force, and there will always be a need for assistance to people who have exhausted all other sources of income.

Reforming social programs means making them better, but it does not necessarily mean making them less expensive. Unemployment insurance has been trimmed several times in recent years, and further cuts could lead to increased spending in other programs, especially welfare. Many of the obvious reforms that could be made in welfare programs would require more rather than less money.

Unemployment Insurance

Canada's unemployment insurance system dates back to 1940. Although there have been numerous changes in the way the program operates, the basic purpose remains the same: the program exists for the benefit of wage-earners who are temporarily out of work.

The federal government used to be a major contributor to unemployment insurance, but federal contributions were trimmed over the years, and the program now is funded entirely by workers and employers.

The unemployment insurance program paid out a total of \$18.1 billion in benefits in 1993, as shown in Table 1 on the next page.

The most important benefits are the "regular" benefits paid to people who are temporarily out of work. In 1992, the program replaced 60 percent of normal earnings to a maximum benefit of \$426 a week. The percentage dropped in April 1993 to 57 percent of earnings to a maximum benefit of \$425 a week. Under proposals in the 1994 budget, the percentage of earnings replaced is 55 percent for workers without dependents and 60 percent for workers with dependents.

Benefits are "clawed back" from workers with above-average incomes. For the 1993 tax year, workers with net incomes of \$58,110 or more had to pay back 30 percent of any UI benefits they received.

TABLE 1
UNEMPLOYMENT INSURANCE IN 1993, BY TYPE OF BENEFIT

Type of Benefit	Estimated Amount Paid in 1993	Average Number of Recipients Per Month
Regular	\$14,405,000,000	1,073,200
Maternity, Adoption and Parental	\$1,279,000,000	88,800
Sickness	\$411,000,000	32,400
Fishing	\$257,000,000	12,700
Work-Sharing	\$55,000,000	11,400
Job Creation	\$103,000,000	4,800
Training	\$1,493,000,000	64,200
Self-Employment Assistance	\$94,000,000	4,400
Total	\$18,063,000,000	1,291,900

People qualify for regular UI benefits based on the number of weeks of work prior to becoming unemployed and the regional unemployment rate in their home area. The maximum number of weeks of benefits in any single claim is 50.

Maternity benefits of up to 15 weeks are available to mothers who give birth to a child. Parental and adoption benefits of up to ten weeks are available to either mothers or fathers of newborn or adopted children.

Sickness benefits are for earnings interrupted by illness, injury or quarantine. Fishing benefits are those that go to fishermen who fail to qualify for regular UI benefits. Work-sharing refers to situations where employers and employees agree to reduce the normal hours of work as an alternative to having selected employees laid off. Job creation applies to selected work projects and can last for up to 58 weeks. Training benefits may be paid for up to 156 weeks.

Finally, although self-employed people are normally not covered by unemployment insurance, the program does provide a limited amount of self-employment assistance to help UI claimants start their own businesses.

TABLE 2
UNEMPLOYMENT INSURANCE RECIPIENTS
BY PROVINCE AND TERRITORY, 1993

	Average Number of Recipients Per Month	Population as of April 1	Recipients as % of Population
Newfoundland	70,800	580,500	12.2%
Prince Edward Island	15,900	131,400	12.1%
Nova Scotia	63,100	922,100	6.8%
New Brunswick	65,400	750,000	8.7%
Quebec	404,200	7,194,100	5.6%
Ontario	364,600	10,705,200	3.4%
Manitoba	37,300	1,114,300	3.3%
Saskatchewan	29,400	1,002,300	2.9%
Alberta	90,200	2,654,200	3.4%
British Columbia	146,100	3,517,600	4.2%
Northwest Territories	2,500	62,700	3.9%
Yukon	2,200	31,500	7.0%
Canada	1,291,900	28,665,900	4.5%

Table 2 breaks down the 1993 figures on unemployment insurance recipients by province and territory. The average number of recipients per month was calculated by the National Council of Welfare and covers all types of UI benefits. The second and third columns of the

table show the population as of April 1, 1993, and the percentage of the population which received UI benefits. The average number of recipients per month worked out to more than 12 percent of the population in Newfoundland and Prince Edward Island in 1993. Elsewhere, the percentage of people on unemployment insurance ranged from 2.9 percent in Saskatchewan to 8.7 percent in New Brunswick.

The different types of UI benefits now available are widely regarded as logical components of an unemployment insurance program. However, there may be better ways of organizing or financing some of them.

For example, maternity, adoption and parental benefits could be financed by governments, in the same way that subsidized child care is financed by governments. Children are clearly the key to any country's future, so it makes sense to ask all Canadian taxpayers, not just workers and employers, to contribute to their well-being. Having these benefits paid directly by government could clear the way for the program to be extended to self-employed people.

Perhaps governments could also assume the cost of fishing benefits and benefits to workers in areas of chronic and extremely high unemployment. In some cases, UI has become almost a permanent source of income rather than a temporary benefit to tide people over during short periods of unemployment.

Special provisions could be made for workers between the ages of 60 and 65 who have little hope of getting back into paying jobs. As recommended by the National Council of Welfare in its 1990 report Pension Reform, the cost of providing full pensions at age 60 could be covered by the Canada and Quebec Pension Plans and a program similar to the federal Spouse's Allowance for all people in need aged 60 to 65. At age 65, people would receive the federal Old Age Security Pension and Guaranteed Income Supplement.

Even if all these changes were made, there would still be large numbers of people receiving regular UI benefits as long as unemployment rates remain high. The program would continue to provide a first line of income support for workers who lose their jobs. Benefits would continue to be related to previous earnings. The link between previous earnings and benefits makes sense, because it prevents unemployed workers from suffering a catastrophic drop

in their incomes and all the dislocation that could entail. A huge drop in income could force some families to sell their homes or move into less expensive rental housing, for example.

Welfare

Welfare in its present form dates back to the start of the Canada Assistance Plan (CAP) in 1966. The plan allowed provincial and territorial governments to merge a host of existing welfare programs into one system that was open to everyone who had exhausted other means of support.

The federal legislation to set up CAP allowed the provinces and territories to design their own welfare systems providing that they were based on need, there were appeal procedures for people to challenge the decisions of welfare officials, and there were no residence requirements other than the obvious one that people applying for benefits be physically present in a province or territory. Provincial and territorial governments make most of the major decisions about welfare, including decisions on rates and rate increases. Municipal governments have a say in these matters in some provinces.

The federal government agreed to cover half the cost of the program. The Canada Assistance Plan also provided for cost-sharing of a select number of social services for welfare recipients and other low-income people.

The total cost of welfare and these social services in the 1992-1993 fiscal year was well in excess of \$16 billion. The federal government paid \$7.4 billion, and the rest came from provincial, territorial or municipal governments. Ottawa paid half the cost in seven provinces and the two territories. The long-standing agreement on 50-50 cost-sharing was suspended in Ontario, Alberta and British Columbia in 1990, when the federal government unilaterally imposed a cap on its payments to the three provinces. Under a formula enacted by Parliament, the federal government would not share increases in CAP costs in excess of five percent a year. Increases beyond five percent were the responsibility of the three provinces.

Ontario estimated that the federal share of total costs plummeted to 28 percent by the 1992-93 fiscal year as a result of the cap on CAP, according to a provincial report entitled

Turning Point: New Support Programs for People with Low Incomes. The 1993 British Columbia budget speech estimated that the federal share was down to 36 percent in 1992-93. The 1992 Alberta budget speech estimated losses of more than \$80 million by the end of 1992. The province anticipated no further losses, however, because it was forecasting decreases rather than increases in welfare costs in the years ahead.

The largest portion of the money for CAP goes to "general assistance" or what most people call welfare. The second largest portion goes for welfare services, including subsidized child care, adoption services, rehabilitation services, a variety of supports for people in emergency situations, aids to independent living, and community development services. CAP also provides funding for certain types of health expenses not covered by medicare and to cover the cost of maintaining children in foster homes.

As of March 1993, there were nearly three million men, women and children receiving welfare at a cost to governments roughly estimated at \$13.5 billion a year. Details by province and territory are given in Table 3. The figures cover the cost of welfare only. The federal government no longer publishes a breakdown of CAP components for all provinces and territories, because of the limits on federal contributions to Ontario, Alberta and British Columbia.

Table 3 also compares the number of welfare recipients to the population. Overall, reliance on welfare tended to be much lower in western Canada than in eastern Canada. Saskatchewan had the lowest percentage of people on welfare, 6.8 percent. The highest figure was 17.7 percent in the Northwest Territories. The Ontario figure of 12 percent may seem surprisingly high, but the number of people on welfare in Ontario rose sharply beginning in 1991, reflecting a sharp rise in the number of unemployed workers.

TABLE 3
WELFARE STATISTICS BY PROVINCE AND TERRITORY

	Number of Recipients as of March 31, 1993	Population	Recipients as % of Population	Estimated Cost of Assistance in 1992-93
Newfoundland	68,100	580,500	11.7%	\$196,842,000
Prince Edward Island	12,600	131,400	9.6%	\$42,746,000
Nova Scotia	98,700	922,100	10.7%	\$340,150,000
New Brunswick	78,100	750,000	10.4%	\$308,592,000
Quebec	741,400	7,194,100	10.3%	\$3,204,512,000
Ontario	1,287,000	10,705,200	12.0%	\$6,321,489,000
Manitoba	88,000	1,114,300	7.9%	\$344,940,000
Saskatchewan	68,200	1,002,300	6.8%	\$249,626,000
Alberta	196,000	2,654,200	7.4%	\$955,930,000
British Columbia	323,300	3,517,600	9.2%	\$1,480,999,000
Northwest Territories	11,100	62,700	17.7%	\$31,464,000
Yukon	2,500	31,500	7.9%	\$8,440,000
Canada	2,975,000	28,665,900	10.4%	\$13,485,730,000

Although there has been much public debate about "employable" people on welfare, there are a surprising number of people on the welfare rolls with few, if any, ties to the job market.

About 37 percent of all the people on welfare are dependent children under 18 who are welfare recipients simply because their parents are welfare recipients.

At least 11 percent of all welfare recipients are adults with disabilities who are unattached people or heads of families, and there are an unknown number of other adults with disabilities

on welfare aside from heads of families. Definitions of disability vary greatly from province to province, but clearly some of these people have disabilities severe enough to keep them out of the labour force.

That leaves 52 percent of all welfare recipients. Many, but not all, of these people would be considered employable in the normal sense of the word. However, definitions of employability for the purpose of welfare vary greatly.

Some people aged 60 to 65 who are now on welfare are probably facing the same slim prospects as the people their age on UI. As suggested earlier, perhaps they could be given the option of early retirement at full pension through a combination of Canada or Quebec Pension Plan benefits and a new program similar to the federal government's Spouse's Allowance.

It seems unrealistic to expect all single-parent mothers with pre-school children to find jobs. The National Council of Welfare's 1993 report Incentives and Disincentives to Work noted that single-parent mothers in all provinces except Quebec were much better off on welfare than working. On the other hand, there are steps that could be taken to help single-parent mothers in both the short term and the long term.

Income supplements for single parents who are "working poor" would certainly increase the incentives to work. The incentives are already much greater in Quebec because of the province's Parental Wage Assistance Program. The program offers a work income supplement, partial reimbursement of day care fees and a special housing allowance. A national program of work income supplements based on the Quebec model and funded jointly by the federal and provincial governments would go a long way to providing more reasonable incentives to work.

Low-income single parents with jobs should be guaranteed fully subsidized child care. In all parts of Canada, there are limits on the number of subsidized spaces, and parents have to go on waiting lists until subsidized spaces open up. In some parts of the country, subsidies do not cover the entire cost of care. The Council's 1988 report Child Care: A Better Alternative offered other suggestions for improving existing arrangements.

Welfare costs for single-parent families could be reduced if custodial parents were granted reasonable child support by the courts and if the support payments were guaranteed by

governments. The option recommended in the Council's 1990 report Women and Poverty Revisited was a system of advance maintenance payments paid automatically by provincial governments to custodial parents and collected by governments from non-custodial parents.

Some of the employable people on welfare could benefit from special training or education. Statistics Canada's Labour Market Activity Survey showed, for example, that 58 percent of the working-age adults who received welfare sometime in 1988, 1989 or 1990 did not graduate from high school.

Even if the welfare system is reformed to transfer some recipients to new social programs or to facilitate transitions to the work force, a significant number of Canadians are still likely to be forced to fall back on welfare or some comparable last-resort program at some point in their lives.

Over the years, the National Council of Welfare has done numerous reports on the welfare system, including Welfare in Canada: The Tangled Safety Net, Welfare Reform, The Canada Assistance Plan: No Time for Cuts and a series of annual reports under the title Welfare Incomes.

Three of the many recommendations for improving the welfare system made in those reports are especially worth highlighting:

- * Welfare should be funded 50-50 by the federal and provincial governments in all parts of Canada. The cap on CAP imposed unilaterally by the federal government in 1990 on Ontario, Alberta and British Columbia should be taken off.
- * Low levels of benefits are a problem in many parts of the country. Provinces and territories should provide levels of income support that are high enough to ensure that basic needs are met.
- * Welfare benefits should be increased automatically at least once a year to match increases in the Consumer Price Index.

If all the suggestions made in this paper were adopted by governments, we could have a new national program of income supplements for working poor parents, a new program that provided better options for retirement at age 60, and new financial arrangements for maternal, adoption and parental benefits.

At the same time, we would be left with reformed versions of unemployment insurance and welfare. Unemployment insurance would still be the first line of defense for people who lose their jobs. Welfare would still be the safety net of last resort for people without other sources of income.

Possibilities such as these are well worth pursuing to make sure our social safety nets are as strong as possible. However, we must not lose sight of the ultimate goal of social policy: getting people out of poverty.

It is not good public policy simply to shunt people off the welfare or UI rolls into the ranks of the working poor. The goal should be getting people who are able to work into steady, full-time jobs that pay substantially more than the minimum wage. Changes in our social programs can facilitate the shift from dependence to work, but only if there are enough jobs available in the first place. That means governments not only face the challenge of reforming our social programs in the months ahead. They will also have to find ways to foster a better climate for creating jobs.



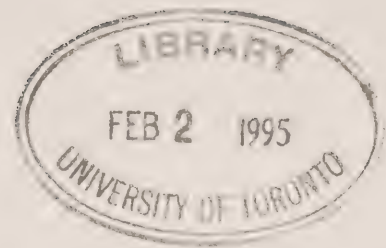
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SOCIAL SECURITY BACKGROUNDER #2

WHO ARE THE PEOPLE ON WELFARE?

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Canada

Canada's welfare system is the safety net of last resort. It provides income to people who, for whatever reason, have exhausted other means of support. People unable to find work, single-parent families, and people with disabilities are among those likely to rely on welfare.

The latest figures compiled by the Department of Human Resources Development show that close to three million men, women and children were on welfare as of March 31, 1993. The three million individuals represented 1.6 million welfare cases. Each case consisted of a single person with no dependents or a family made up of one or more adults and dependents. Details by province and territory are given in Table 1.

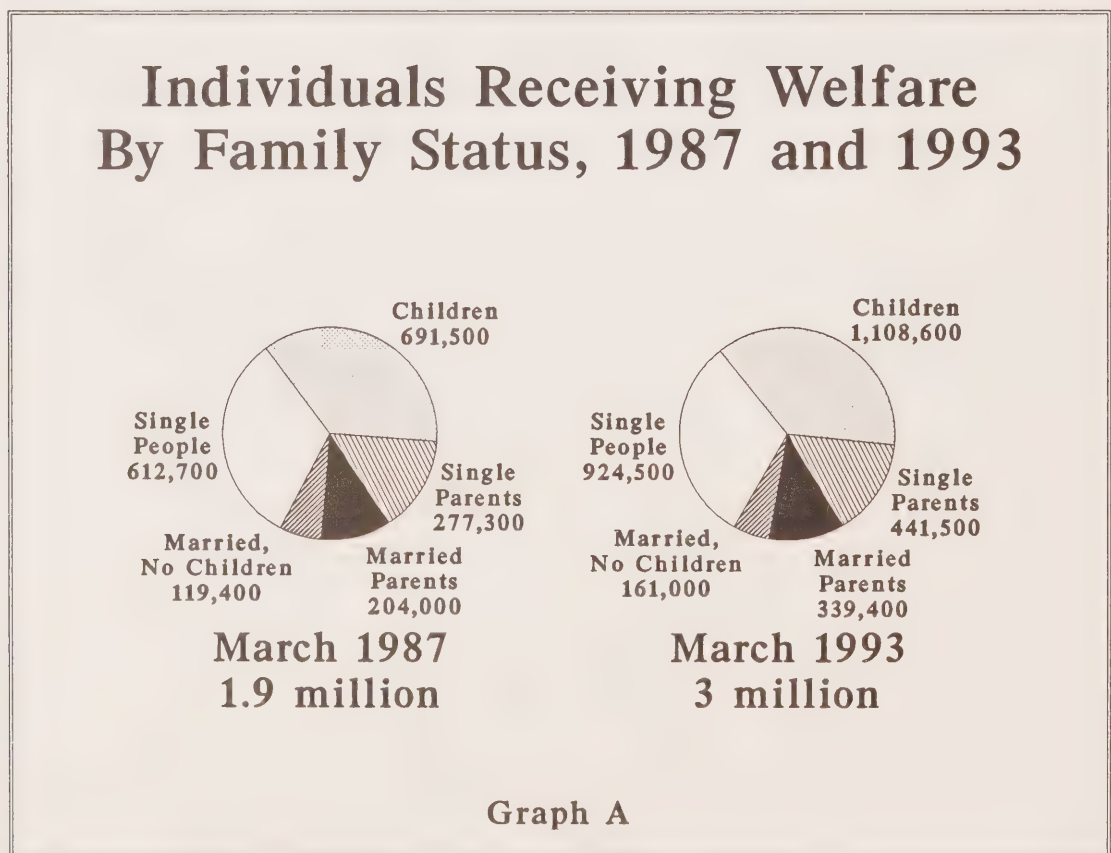
TABLE 1

**ESTIMATED NUMBER OF CASES AND INDIVIDUALS ON WELFARE
BY PROVINCE AND TERRITORY AS OF MARCH 31, 1993**

	Cases	Individuals	Population	Individuals as % of Population
Newfoundland	32,200	68,100	580,500	11.7%
Prince Edward Island	6,200	12,600	131,400	9.6%
Nova Scotia	50,200	98,700	922,100	10.7%
New Brunswick	42,100	78,100	750,000	10.4%
Quebec	450,700	741,400	7,194,100	10.3%
Ontario	656,900	1,287,000	10,705,200	12.0%
Manitoba	49,800	88,000	1,114,300	7.9%
Saskatchewan	35,000	68,200	1,002,300	6.8%
Alberta	93,600	196,000	2,654,200	7.4%
British Columbia	193,800	323,300	3,517,600	9.2%
Northwest Territories	4,300	11,100	62,700	17.7%
Yukon	1,400	2,500	31,500	7.9%
Canada	1,616,200	2,975,000	28,665,900	10.4%

The federal government compiles national welfare data by family status from provincial and territorial data. It also has some information on "unemployed employable" people and people with disabilities who are on welfare. However, the definitions of employability and disability used by provinces and territories vary greatly from one jurisdiction to another. A person who is considered employable in one province, for example, may be considered unemployable elsewhere.

Despite the huge increase in the number of people on welfare in recent years, there has been little change in the composition of the welfare rolls by family status. Graph A gives the statistics for 1987 and 1993.



The number of people on welfare rose from roughly 1.9 million on March 31, 1987, to close to three million on March 31, 1993. However, a glance at the two "pies" in Graph A

shows that the "pieces" are about the same size each year. That means that the different types of individuals made up about the same proportion of the total number of welfare recipients on both dates.

The largest single group of recipients was children who were on welfare because their parents were on welfare. As of March 31, 1993, there were an estimated 1,108,600 children on welfare representing 37 percent of all welfare recipients. Approximately 70 percent of all the children on welfare lived in single-parent families.

An estimated 441,500 people or 15 percent of the 1993 total were single parents, the vast majority of them women. About 339,400 individuals or 11 percent of the total were husbands and wives with dependent children. Husbands and wives without children accounted for 161,000 individuals or five percent of the total. An estimated 924,500 individuals or 31 percent of the total were single people without dependents.

Statistics by family status offer only a few clues as to the specific reasons people are on welfare. For example, a single-parent mother and her children might be on welfare because the mother is physically unable to work, because her ex-husband does not pay adequate child support, because there is no affordable child care that would allow her to go to work, or because there are simply no suitable jobs available.

Statistics on "employable" welfare recipients and recipients with disabilities help to shed some further light on the situation, despite definitions that vary from province to province.

The last available estimate of unemployed employables was as of March 31, 1992, when they accounted for 662,000 heads of welfare cases or 45 percent of the national total of 1,471,900 cases. Presumably, many were young single people without dependents. It is not known how many were on welfare because they had exhausted their unemployment insurance benefits or did not qualify for UI in the first instance.

These statistics probably understate the proportion of employable people on welfare because they cover heads of cases only. Some of the husband-wife families, for example, would have two employable people in the family rather than one.

Although figures on employables have not been compiled for every year, it is clear from the partial data available that the number and percentage of employables on welfare is largely a function of unemployment. Graph B plots the number of people on welfare against the average number of people who were unemployed. The line marked with diamonds shows the number of individuals - men, women and children - on welfare each year as of March 31. The plain line is the average number of people who were unemployed each year. Unemployed people are people in the labour force 15 years old or older who are without jobs, but who are looking for work or are available for work.

The number of individuals on welfare is always much larger than the number of unemployed people because it includes children and adults who are unable to work.



Graph B shows that, in 1968, there were 358,000 unemployed people (1.7 percent of the total Canadian population of 20,701,000) and 1,191,000 people on welfare (5.8 percent of the population). In 1993, the figures were up to 1,562,000 unemployed people (5.4 percent of the total population of 28,665,900) and 2,975,000 people on welfare (10.4 percent of the population). While the percentages of unemployed people and welfare recipients both rose significantly over the period, the increase in unemployment was proportionately larger than the increase in welfare.

In terms of disability, an estimated 323,000 heads of welfare cases representing 20 percent of the total caseload as of March 31, 1993, were people with disabilities. People with disabilities may be on welfare because they are unemployed, because they cannot get full-time work, or because their jobs pay inadequate salaries. Alternatively, they may be on welfare because they do not get any income support or enough support from public or private disability insurance programs.

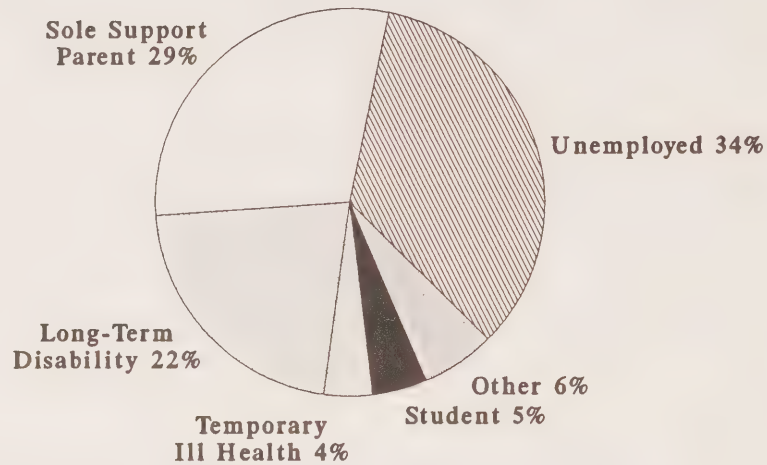
The statistics do not indicate the extent and duration of the disabilities of people on welfare and their prospects for employment. As in the case of unemployed employables, the statistics probably understate the number of people with disabilities on welfare, because they cover heads of cases and not other family members.

Sometimes, it is helpful to look at data compiled by individual provinces and territories on their welfare caseloads. The data provide additional insights into the reasons people are forced to rely on welfare, the length of time they spend on welfare, the age of recipients or their levels of education.

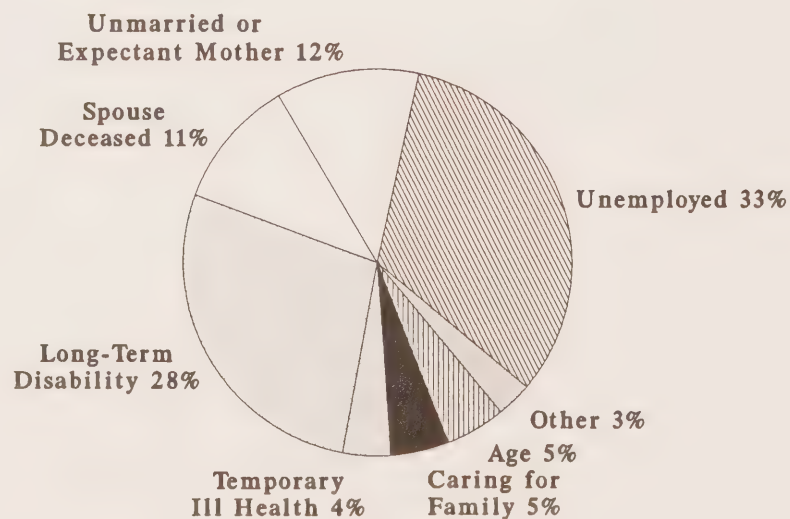
Graph C was compiled from 1993 data from Ontario and Newfoundland and highlights more specific reasons why people were on welfare. The proportions shown and the reasons given may not be typical of welfare caseloads elsewhere. The proportions of people listed as unemployed are lower than in many other provinces, mainly because most single parents were considered unemployable by the two provincial governments. The proportions listed as disabled are substantially higher than the national average.

Heads of Welfare Cases By Reason for Assistance

Ontario, November 1993



Newfoundland, March 1993



Graph C

Ontario has a "two-tier" welfare system run partly by the province and partly by local governments. The figures for Ontario in Graph C combine the provincial Family Benefits caseloads with municipal General Welfare Assistance caseloads.

In both provinces, people who are unemployed, single parents and people with disabilities accounted for most of the total welfare caseload. The profiles are surprisingly similar, despite the fact that unemployment rates were much higher in Newfoundland than in Ontario.

A closer look at the Newfoundland statistics reveals that the vast majority of unemployed people on welfare were people who did not qualify for unemployment insurance or people who had exhausted their UI benefits. Of the welfare cases headed by able-bodied unemployed persons, 56 percent were described as people not eligible for UI and 15 percent as people with no work history - which by definition would make them ineligible for UI. Both these groups were made up largely of younger people. Eleven percent of the total were people whose UI benefits had run out, 11 percent were people getting welfare to supplement UI, and the remaining seven percent were people waiting to receive UI benefits.

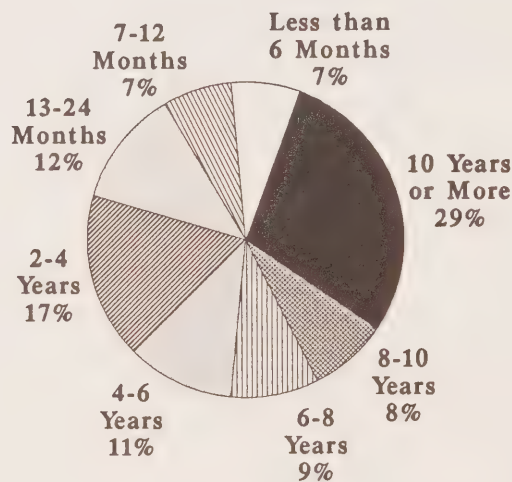
The main category for single parents in Ontario is described as "sole-support parent." However, it does not include a number of single-parent families headed by people with disabilities, who are classified instead as disabled. In Newfoundland, single-parent families were classified as unmarried or expectant mothers or families with children where one spouse had died. Both these categories are shown in white in the Newfoundland portion of the graph.

In both parts of the graph, the same type of shading was used for people with long-term disabilities and people with temporary health problems. Most of the people on welfare in Ontario with long-term disabilities were considered to be permanently unemployable. In Newfoundland, the category "temporary ill health" refers to illnesses or disabilities lasting less than six months.

Most welfare statistics give an accurate picture of welfare recipients at a given point in time, but do not indicate the length of time people spend on welfare. Some provinces have statistics that show the length of the last period spent on welfare. Quebec keeps a different kind of statistics that shows the total amount of time people spent on welfare - regardless of the number of times they were on or off the welfare rolls.

The slices of the pie in Graph D show the number of households on welfare between January 1975 and September 1993. The slice that shows people on welfare for ten years or more, for example, no doubt includes households who were on welfare for years at a stretch. Others would have been on and off welfare for varying periods of time that added up to ten years or more over the entire span of nearly 19 years.

Welfare Caseloads in Quebec By Length of Time on Welfare, January 1975 to September 1993



Graph D

Many of the long-term recipients of welfare in Quebec received benefits under the province's Financial Support Program, which was designed for people who have severe and long-term disabilities which limit their capacity for employment. In the slice of the pie for ten years or more on welfare, 43 percent of the households were in the Financial Support Program.

Data from British Columbia in Table 2 offer some insight into welfare caseloads by age and family type. The total of 164,870 cases listed as "basic" income assistance represented 84 percent of the total caseload of 195,187. Breakdowns by age group were not available for the

rest of the welfare caseload, but it consisted mainly of people 60 and older or people who received benefits under the Guaranteed Available Income for Need (GAIN) program for the handicapped.

About three-quarters of the caseload under basic income assistance falls between the ages of 19 and 39. As might be expected, single people are more likely to be in the younger age categories, and families with children are apt to be a bit older.

TABLE 2

**BRITISH COLUMBIA CASELOADS FOR "BASIC" INCOME ASSISTANCE
BY AGE GROUP AND FAMILY TYPE, OCTOBER 1993**

Age Group	Single Men	Single Women	Couples without Children	Two-Parent Families with Children	Single-Parent Families	Total by Age Group
Under 18	1,175	1,193	39	60	622	3,089
19-24	16,968	8,746	998	1,650	9,680	38,042
25-29	12,636	4,143	630	2,263	10,634	30,306
30-34	11,162	3,186	516	2,843	12,046	29,753
35-39	8,592	2,757	450	2,382	9,293	23,474
40-44	6,405	2,613	455	1,572	4,977	16,022
45-49	4,616	2,690	553	884	2,084	10,827
50-54	3,342	2,462	528	383	761	7,476
55-60	2,665	2,229	535	193	259	5,881
Totals	67,561	30,019	4,704	12,230	50,356	164,870

Finally, data from Newfoundland in Table 3 show the level of education of the heads of welfare cases. In March 1993, 31 percent of all heads of cases had not gone to high school, and another 42 percent had not graduated from high school.

TABLE 3
HEADS OF WELFARE CASES IN NEWFOUNDLAND
BY LEVEL OF EDUCATION, MARCH 1993

Level of Education	Number	% of Cases
Did not attend high school	9,425	31 %
Some high school	12,816	42 %
High school graduate	6,743	22 %
Some post-secondary education	719	2 %
Completed vocational or technical training	661	2 %
Completed university	126	< 1 %
Others	125	< 1 %
Total	30,615	100 %

The levels of education among heads of welfare cases in Newfoundland are not that far out of line with the comparable levels in other parts of Canada. About 73 percent of the heads of welfare cases in Newfoundland in March 1993 had not finished high school. Data from Statistics Canada's Labour Market Activity Survey showed that 58 percent of all the working-age individuals in Canada who received welfare sometime in the years 1988, 1989 or 1990 had not finished high school.

In summary, the people who are most at risk of falling into our welfare safety net include people who are unable to find work, single parents and their children, and people with disabilities or health problems. The risk is also very high for adults who have not finished high school. However, the number of people on welfare in recent years has been large enough to suggest that virtually any of us could find ourselves on welfare at some point in our lives - probably for reasons well beyond our control.



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SOCIAL SECURITY BACKGROUNDER #3

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Canada

Despite a 1989 resolution passed unanimously by the House of Commons to eliminate child poverty by the turn of the century, there has been no appreciable reduction in the child poverty rate. It has become apparent that meeting the goal of MPs will require decisive action by governments to provide more money to low-income families with children.

As of 1992, more than 1.2 million children or 18.2 percent of all children under the age of 18 were living in poverty, as measured by the low income cut-offs of Statistics Canada. According to other Statistics Canada data used by the National Council of Welfare in its most recent version of Poverty Profile, many of these children came from families living on incomes that were many thousands of dollars below the poverty line. Poor families with children headed by single-parent mothers lived \$8,538 below the poverty line on average in 1992, and poor two-parent families with children were \$8,361 below the poverty line on average.

The federal government has provided some form of benefit to families with children for many years, and it now spends some \$5 billion a year on the child tax benefit for families of low and middle incomes with children under 18. Quebec, Manitoba and Saskatchewan have provincial programs to help some parents raising children. Quebec's Parental Wage Assistance Program stands head and shoulders above the other provincial programs in the size of the benefits it provides.

By way of comparison, the United States has an Earned Income Credit in its federal income tax system that is very roughly similar to some features of the Parental Wage Assistance Program.

Another possibility is a package of proposals by Ontario for expanded benefits for children that would replace several existing federal and provincial programs.

This paper describes the programs in Quebec and the United States and the proposals in Ontario. It also gives a brief assessment of the potential for developing the Quebec or Ontario models into a new national program for families with children.

Help for Working Parents in Quebec

The Parental Wage Assistance Program was started by the government of Quebec in 1988 specifically to help "working poor" families. The program includes a work income supplement, partial reimbursement of child care expenses, and a special housing allowance. As of 1993, the

program helped nearly 22,000 Quebec families at an estimated cost of \$48 million a year. The benefit to participating families worked out to about \$2,260 a year on average.

The maximum work income supplements in 1993 were \$3,062 for a family of one adult and one child, \$3,440 for one adult and two children, \$3,973 for two adults and one child, and \$4,300 for two adults and two children. Depending on family circumstances, each of the families could receive money for child care expenses. A government brochure outlining the program shows a sample benefit of up to \$1,725 a year to defray \$2,500 in child care costs. The maximum housing allowance for the year was \$1,080.

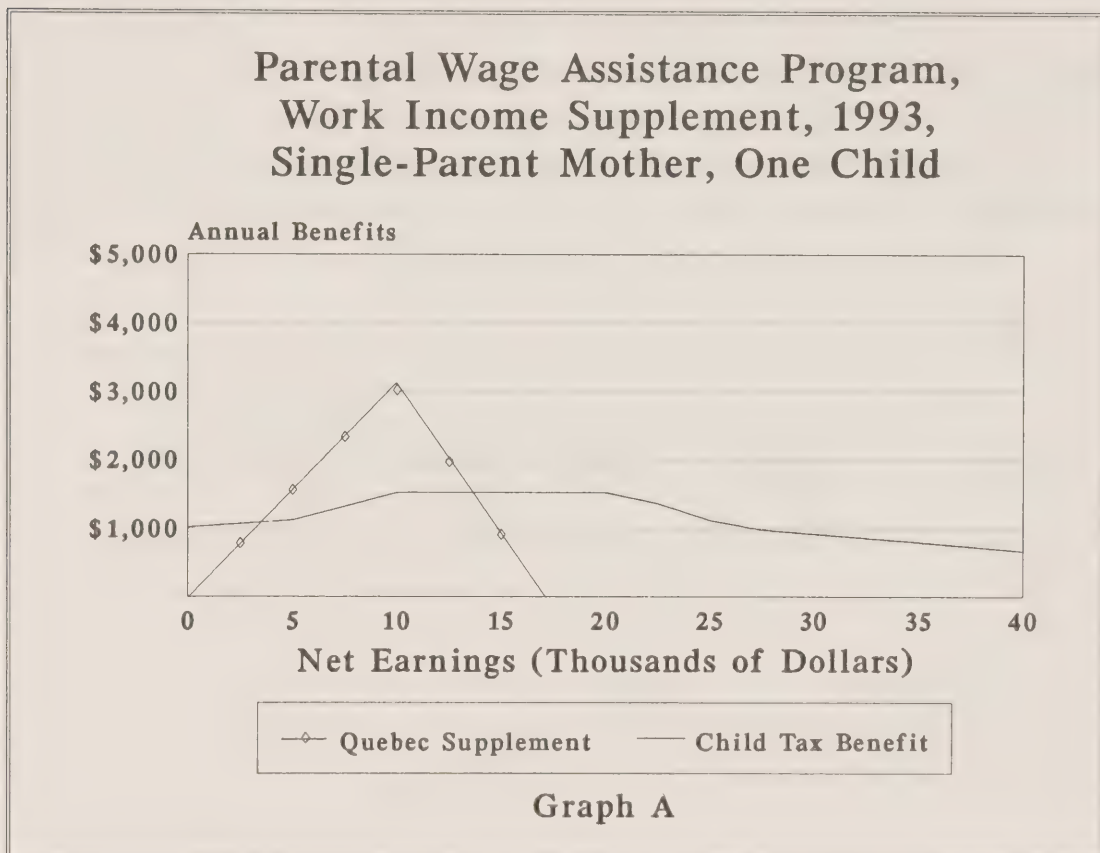
Overall, the program is incredibly complex in the miscellaneous criteria that must be met and the way benefits are calculated. A family fills out an application, and the actual benefits are calculated by the provincial government. It is virtually impossible for anyone outside government to calculate all three types of benefits on the basis of published information.

Graph A on the next page shows the National Council of Welfare's calculations of the work income supplement in 1993 for a single-parent mother with one child at different levels of earnings. The same benefits would be available to a single-parent father with one child. No calculations were done on child care or housing benefits because entitlements vary greatly with family circumstances.

The line in the graph marked with diamonds shows how benefits rise and fall relatively quickly as earnings rise. The family received benefits based on net earned income, as opposed to income from savings, investments or government programs. Benefits started as soon as the family had earnings of \$100 a month. The work income supplement was phased in at a rate of 31 percent of net earned income until earnings hit a threshold - in this case \$9,876 a year. The supplement was reduced by 42 percent of net earnings in excess of \$9,876 and eventually disappeared when net earnings reached \$17,163 a year.

The plain line in the graph shows the federal child tax benefit for a single parent with one child. The basic federal benefit is based on net family income rather than earnings. For a poor family on welfare or unemployment insurance, the maximum benefit in 1993 was \$1,020 a year for each child under 18, with an additional \$213 for a child under seven. Parents with earned income can get a supplement of up to \$500 a family per year, but the supplement is not paid to families who get all their income from welfare, unemployment insurance or other government

programs. Benefits are paid over a wide range of incomes. In the case of a family with one child between seven and 18, benefits disappeared in 1993 when family income hit \$66,721.

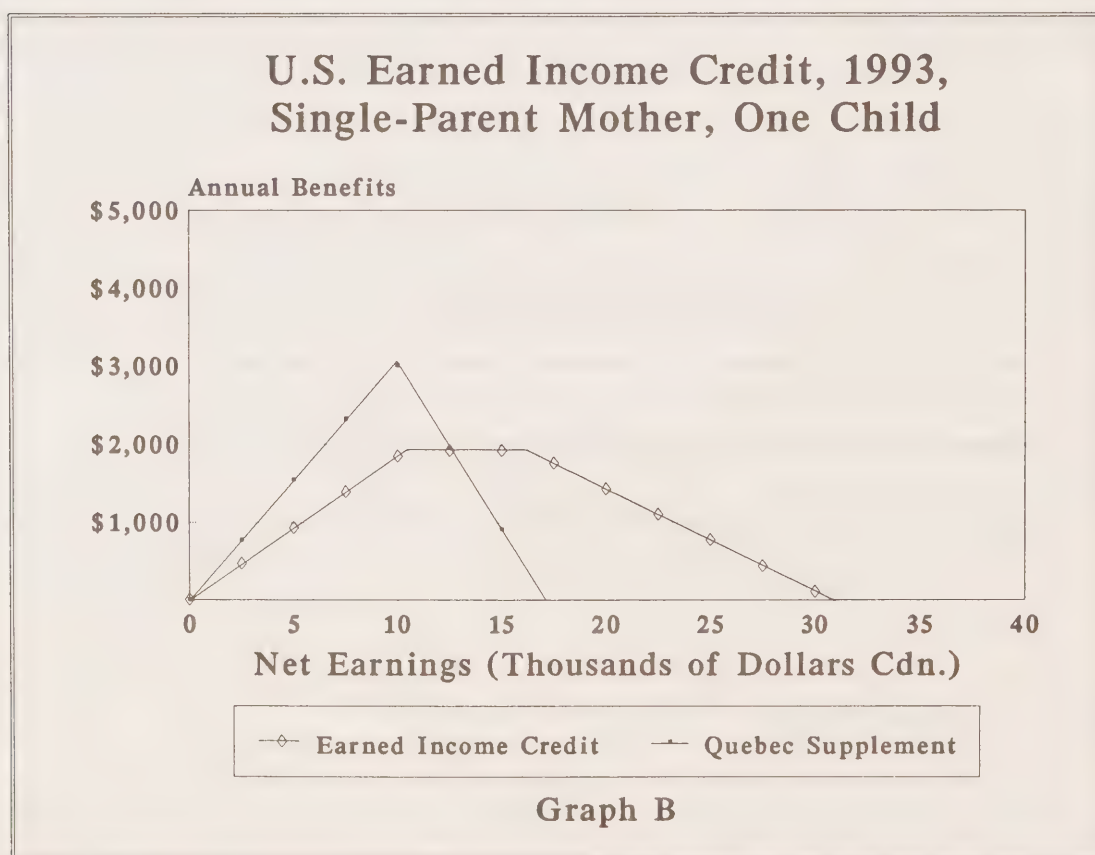


Benefits in the United States

The U.S. Earned Income Credit, like Quebec's Parental Wage Assistance Program, is also intended for low-wage workers with children. For the 1993 tax year, the program was made up of a basic credit of up to \$1,434 U.S. for parents with one child and up to \$1,511 U.S. for parents with two or more children, a health insurance credit of up to \$465 U.S. to defray the cost of health insurance for a qualifying child, and an extra credit of up to \$388 U.S. for a child born in 1993. Benefits are claimed on the federal income tax return, but they can also be added to a person's pay.

For 1993, benefits started as soon as a family had even \$1 of earned income and were phased in at a rate of 18.5 percent of earnings for families with one child or 19.5 percent for families with two or more children. The maximum benefits were paid for family incomes of \$7,750 to \$12,200 U.S. Benefits were reduced by 13.2 percent on family income in excess of \$12,200 for families with one child and 13.9 percent for families with two or more children. In all cases, benefits disappeared when family income reached \$23,050 U.S.

Parents had the option of calculating their own benefits using a table available in a package of supplemental tax forms or having the U.S. Internal Revenue Service do the calculations for them.



Graph B shows how the Earned Income Credit rises and falls with family income. The graph covers the basic credit only. All amounts have been converted into Canadian dollars using

the "official" average exchange rate for 1993 of \$1.3371 Canadian per \$1 U.S. The rate is the one that U.S. officials require on the tax returns of U.S. citizens with income from Canadian sources. For the purposes of comparison, the graph contains a line marked with dots that shows the Parental Wage Assistance Program.

The phasing in and phasing out of benefits is much more gradual in the U.S. program than under the Quebec program, and there is an income plateau from \$10,363 to \$16,313 Cdn. where families get the maximum possible benefits. This combination of features means that the basic credit goes to some families with incomes approaching average wage levels.

Proposals from Ontario

Ontario's proposals for a new type of child benefit originated with the 1988 report of the provincial government's Social Assistance Review Committee. The basic idea was to take children out of the welfare system altogether and provide a benefit for children in low-income and middle-income families regardless of the sources of family income.

The committee envisioned an integrated benefit that would encompass federal child benefits, portions of the federal and provincial tax credits intended for children, and welfare benefits that could be attributed to children. Parents on welfare would continue to receive monthly welfare cheques, minus the amount carved off for their children for the new benefit.

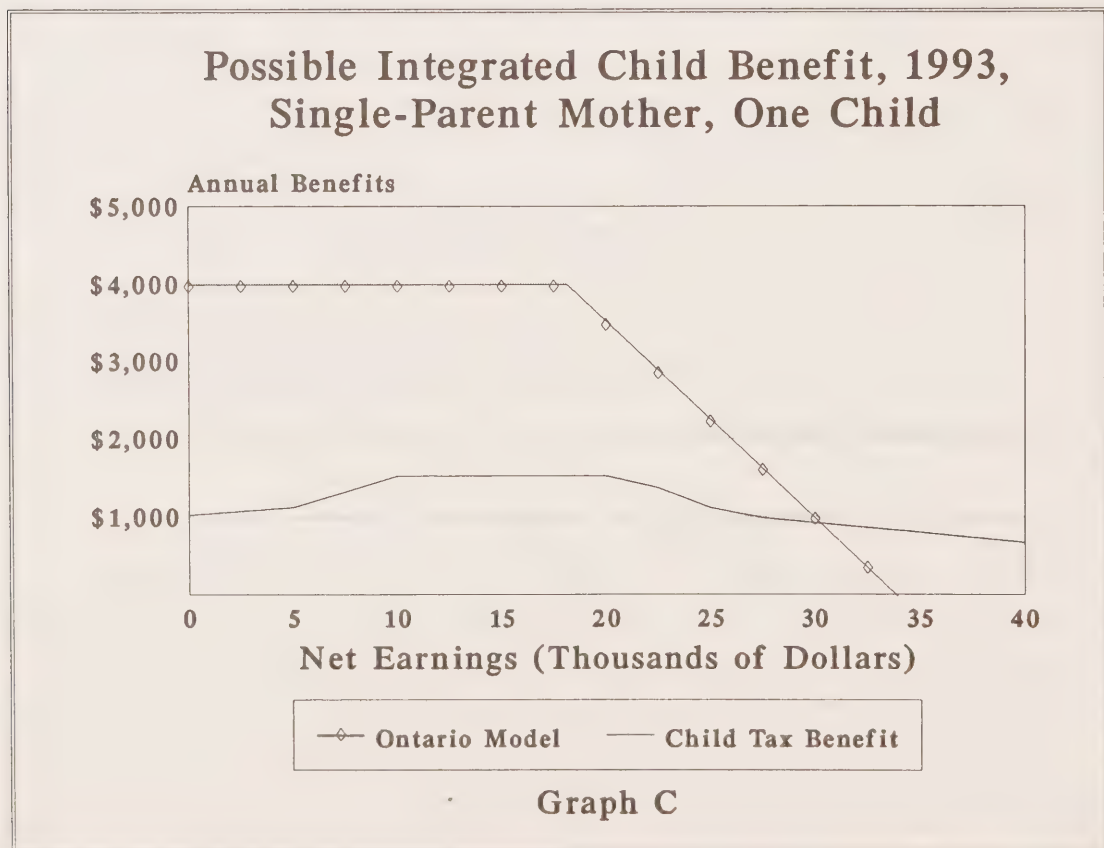
The committee report used the example of a maximum benefit of \$3,300 in 1988 for each child in families with incomes of \$15,000 or less. Benefits would be reduced by 25 percent of family income in excess of \$15,000.

The Ontario government restated its hope to proceed with such a system in a 1993 discussion paper entitled Turning Point: New Support Programs for People with Low Incomes. As of the spring of 1994, however, the province decided not to proceed with the proposals because of financial constraints. The constraints were due in part to the federal government's 1990 decision to limit federal funds to Ontario under the Canada Assistance Plan for welfare and social services.

To get a better idea of the possible scope of the Ontario child benefit, the National Council of Welfare updated the figures in the original 1988 report to 1993 levels using the Consumer Price Index of Statistics Canada. Graph C shows the impact of the updated proposals.

The maximum child benefit for 1993 would have been \$3,962 for each child, and the threshold for maximum benefits \$18,011 in family income. The reduction rate in benefits for families with incomes above \$18,011 was left at 25 percent. Benefits would disappear when family income reached \$33,859.

The line marked with diamonds shows the Ontario proposals, and the plain line shows the existing federal child tax benefit. In this case, the comparisons are particularly important, because the new Ontario benefit would encompass the federal benefit. The difference between the two lines at income levels up to about \$30,000 equals the net gain for families with children who get most of their income from earnings. Families on welfare would receive more or less the same amount of assistance from governments that they receive under current arrangements.



Assessing the Models as Possible National Programs

The Quebec and Ontario models are the two most likely starting points for policy-makers thinking about a new national program of benefits for families with children. This section looks briefly at the impact of the two programs and the way the programs would relate to existing social programs.

The Parental Wage Assistance Program is billed as a work incentive for parents, and the main beneficiaries are working poor parents. The program was designed to make work more attractive than government income support programs and to defray additional personal expenditures that are associated with working, such as transportation costs and work-related clothing or equipment. Benefits from the program are generous but highly targeted. Quebec's experience shows that the Parental Wage Assistance Program is sustainable even without federal support.

The Ontario program is billed as a child benefit, and the main beneficiaries would also be working poor families with children. The amounts provided for children in families on welfare would be roughly the same as under the present system. No cost projections have been done on the Ontario model because of the lack of information about possible program guidelines, but it would appear to be much more expensive than the Quebec program, because the Ontario benefits are not highly targeted.

The Parental Wage Assistance Program already operates side by side with existing programs such as unemployment insurance and welfare. It was specifically designed to fit into the Quebec tax system and the Quebec system of social safety nets, but it could be adapted for use in other provinces.

If the federal government decided to pursue the Quebec model, the simplest approach might be for Ottawa to share the cost of work income supplements with provincial and territorial governments. Provincial governments could have the flexibility to add on benefits of their own without federal approval or federal cost-sharing. In the case of Quebec, federal financial support might make it possible to increase the size of the benefits paid by the Parental Wage Assistance Program or to broaden the scope of the program to cover working poor individuals other than parents.

The Ontario model would be much more difficult to put into effect, either in Ontario alone or as a program operating in all parts of the country. The proposals would require a wholesale federal-provincial renegotiation of the welfare provisions of the Canada Assistance Plan, the federal child tax benefit and the federal GST credit as well as a reworking of existing provincial tax credits for low-income people with children. It would be virtually impossible to broaden the program to working poor people without children.

In conclusion, while there is merit in both Quebec's Parental Wage Assistance Program and Ontario's proposals for new type of child benefit, the Quebec program seems much more promising. It could be adopted as a new federal-provincial program whether existing social programs remain the same or undergo a radical transformation during the process of social security reform.

The Quebec program has a proven track record without federal participation, and it could be even more appealing with federal cost-sharing. The cost of the program would depend upon the specific design features, but the experience in Quebec shows that the cost can be reasonable. The main drawback of the Parental Wage Assistance Program as it now stands is its complexity. The Quebec government has already simplified some features of the program, and perhaps it might be willing to look at other sources of the complexity.



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SOCIAL SECURITY BACKGROUNDER #4

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Canada

One of the most emotional and misunderstood issues in Canadian welfare policy is whether adults who are considered to be "employable" should be required to work to receive welfare and, if so, under what conditions.

Mandatory work-for-welfare programs are not allowed under the Canada Assistance Plan, the vehicle for federal funding toward provincial and territorial welfare programs, although there have been accusations from time to time that some provincial governments were pursuing policies tantamount to forced labour.

The situation in the United States is different. A variety of work-for-welfare programs has been tried in recent years with mixed results. Many of them led to increases in earnings and lower welfare payments. However, the end result was often that "welfare poor" families turned into "working poor" families. Relatively few families seemed to escape from poverty.

This paper describes existing limits on work-related programs for welfare recipients in Canada and reviews the experience of state and local governments in the U. S. in seeking to get people off the welfare rolls. It also makes the case for controlled experiments in Canada to determine what kinds of employment programs are most effective.

Over the years, the National Council of Welfare has tried repeatedly to dispel stereotypes about poor people. In a 1993 report Incentives and Disincentives to Work, we argued that poor people respond to incentives to work as well as or better than anyone else, but we highlighted a number of disincentives that exist in our current welfare system. The Council's annual reports published under the title Poverty Profile show how important work income is to poor families and unattached individuals under 65. Yet the myth persists that poverty exists largely because people are lazy or poorly motivated.

The phrase "working for welfare" covers a great variety of situations. In the most extreme cases, sometimes called "workfare," welfare recipients would be required to report to a specific job approved by welfare officials in order to qualify for welfare benefits. However, working for welfare could also involve recipients finding ordinary jobs in the marketplace or "earning" their welfare cheques by doing unpaid work at public or non-profit agencies for a specified number of hours a week.

In Canada, welfare programs operate under the Canada Assistance Plan. The federal legislation that set up the plan provides for federal-provincial cost-sharing agreements on welfare

and certain social services. One of the conditions of these agreements is that assistance be provided solely on the basis of need - that is, inadequate financial resources. The legislation talks of need arising from a person's inability to find employment, the loss of the principal provider in a family, illness, disability, age, or any other reason acceptable to provincial or territorial officials.

The law has been interpreted over the years to mean that provincial and territorial governments cannot impose conditions in addition to a "needs test." For example, governments cannot refuse to give people welfare simply because officials consider them to be able to work.

At the same time, all provinces and territories have a variety of "carrots" or "sticks" to encourage able-bodied welfare recipients to find jobs. Generally speaking, people who are considered "unemployed employables" qualify for welfare only when officials are satisfied that the applicants are unemployed due to reasons beyond their control and are making reasonable efforts to find work. Some provinces actually make employable people reapply for welfare each month to keep tabs on their efforts at finding jobs. Some provinces require employable recipients to sign individualized "contracts" outlining the measures they will take to get back on their feet financially.

All provinces and territories have sanctions that can be used against recipients who refuse jobs or training or who quit jobs or training programs without good reason. Welfare benefits can be suspended, reduced or terminated.

One joint government initiative from the last decade was the 1985 Federal-Provincial Agreement on Enhancement of Employment Opportunities for Social Assistance Recipients. The agreement was intended in part to make sure that welfare recipients had a reasonable chance of taking advantage of federal and provincial job training programs. One of the conditions of the agreements was that participation had to be voluntary.

An evaluation of welfare recipients who participated in the Canadian Jobs Strategy suggested that the resulting decreases in welfare costs were more than offset by increases in unemployment insurance costs. Some people escaped from welfare to work, but had to turn to unemployment insurance when their temporary jobs disappeared.¹

From time to time, there have been allegations that provincial governments are violating the spirit, if not the letter of the Canada Assistance Plan legislation by penalizing welfare recipients who do not participate in certain job-related activities. The most recent complaints came from welfare rights advocates in Saskatchewan. The allegations were investigated by the federal government and dismissed as unfounded.²

Proponents of stringent work requirements for welfare recipients argue that governments have an obligation to ensure that people who are able to work make every effort to do so. If all else fails, governments should be able to arrange alternatives to normal jobs.

Critics fear that these practices would quickly degenerate into forced labour. Welfare recipients would have no real choice to refuse a work assignment, however menial, unsuitable, inappropriate or distasteful.

Beyond these essentially philosophical views on working for welfare are a number of practical questions that relate to government labour market policy.

- * What kind of jobs could welfare recipients be expected to do? The short answer to that question is anything and everything. However, the jobs that are often mentioned as suitable for welfare recipients tend to be manual, outdoor, seasonal jobs that hold out no hope for long-term self-improvement.
- * Would working for welfare make life more difficult for low-wage workers already in the labour force? Welfare recipients forced into jobs could take work away from the "working poor," particularly in times of high unemployment.
- * What additional costs are involved in working for welfare and how would those costs be offset? Some arrangements, such as unpaid work in the community, would not necessarily save governments money. Other arrangements might involve additional government spending, notably the cost of providing child care for recipients with young children.
- * Does working for welfare offer recipients any realistic hope of escaping from poverty in the long term?

Considerable light has been shed on some of these questions by studies of work-for-welfare programs in the United States. Many thousands of U.S. welfare recipients have been involved in work programs of one kind or another, and the impact of literally dozens of programs has been studied by outside experts.

One of the best analyses of program results was a book written by Judith M. Gueron and Edward Pauly of the Manpower Demonstration Research Corporation in New York City and published in 1991 under the title From Welfare to Work.³

Of the 45 studies reviewed in the book, one of the most successful was the Saturation Work Initiative Model (SWIM) in San Diego, California. The program started in July 1985 and ended in June 1987, when it was replaced by Greater Avenues for Independence (GAIN), a state-wide program enacted by the California legislature.

SWIM's main target group was welfare recipients or applicants for welfare who were single parents with children at least six years old. Unemployed parents in two-parent families made up the rest of the participants.

The people who were registered for SWIM were randomly assigned to an experimental or a control group. People in the experimental group were required to participate in the various components of the program: job search workshops, short-term unpaid work in public or non-profit agencies, education, and training, including on-the-job training. People in the control group were not able to take advantage of employment or training services that were provided directly by SWIM, but they were free to seek these services on their own.

The single parents - more than 91 percent of them women - who registered for SWIM were particularly disadvantaged. Forty-four percent had not finished high school. Slightly more than half had been on welfare for periods totalling 60 months or more, and half had not been employed during the 24 months prior to registration. Forty-two percent of the group were black and 26 percent were Hispanic.

The employment prospects of both participants and members of the control group were no doubt enhanced by the healthy state of the local labour market. The unemployment rate in

San Diego County averaged 5.3 percent in 1985 and five percent in 1986, and it dipped to 4.3 percent in May 1987.

Table 1 shows the results of the program year by year for the single parents who participated in SWIM and those who were in the control group.

<p><u>TABLE 1</u></p> <p><u>SAN DIEGO SATURATION WORK INITIATIVE MODEL (SWIM),</u></p> <p><u>RESULTS FOR SINGLE PARENTS, JULY 1985 TO JUNE 1987</u></p>			
		Participants	Controls
Average Earnings	Year 1	\$2,029	\$1,677
	Year 2	\$2,903	\$2,246
Percentage Employed at End of Period	Year 1	34.7%	26.9%
	Year 2	34.7%	29.3%
Average Welfare Payments	Year 1	\$4,424	\$4,830
	Year 2	\$3,408	\$3,961
Percentage on Welfare at End of Period	Year 1	66.0%	72.4%
	Year 2	51.3%	58.7%

Participants did better than the control group for each of the four measures shown in the table: average earnings, percentage employed, average welfare payments and percentage on welfare. The figures on earnings actually understate the impact of the program because they are averages calculated for all program participants whether they worked or not. In Year 2, for example, only half of the participants had paying jobs sometime during the year. The figure of \$2,903 represents average earnings for both workers and non-workers. The average earnings for workers only would have been twice as high or roughly \$5,800.⁴

From a governmental point of view, the program was a financial success. Every dollar spent on SWIM saved three dollars. The great bulk of the savings came in the form of reductions in the cost of welfare and related services rather than additional taxes paid by the people who found jobs.

A closer look at the results, however, raises questions about the impact of SWIM and other similar programs. Both participants and controls had more earnings and less welfare, but the table shows that the differences between the two groups were relatively small in all cases.

Quarter-by-quarter statistics showed similar employment and unemployment trends for both groups. The percentages of participants and controls who were employed or unemployed were relatively unchanged over the two years.

Among those who were employed, the most striking trends were a drop in the percentage of employed people who also received welfare and a corresponding increase in the percentage of employed people who no longer required welfare at all.

Among those who were unemployed, the most surprising change was that a large portion no longer required welfare by the end of the two-year experiment. The study offered no reasons for this, but presumably many of the unemployed participants had changes in marital status or living arrangements that offered alternatives to both work and welfare.

SWIM did not offer participants much hope of getting out of poverty. Families gained a few extra dollars of income, but most of the gains were offset by losses in welfare income. Excluding non-workers, earnings for workers averaged only \$5,800 in Year 2 - the equivalent of 29 weeks of full-time work at \$5 an hour.

The experts who evaluated SWIM and other U.S. programs were aware of the possibility that work-for-welfare projects could simply move participants from welfare poor to working poor. They also conceded the need for other programs to help low-wage workers. Among the ideas broached in From Welfare to Work are better arrangements for paying child support to custodial parents, an increase in refundable tax credits, more health insurance, more child care subsidies, increases in the minimum wage and guaranteed jobs for welfare recipients who cannot find jobs on their own.⁵

The evaluations that had been completed by 1991 provided mountains of useful data, but they did not answer several key questions about work-for-welfare programs.

The first question relates to the continuing debate in the U.S. about mandatory versus voluntary programs for welfare recipients. Advocates of mandatory programs argue that they reach more people, including people who would not volunteer for job search opportunities or job training. Advocates of voluntary programs say they attract people who are most interested in taking advantage of the services available and therefore have the best chance of succeeding.

Secondly, there have been no large-scale U.S. studies done during a severe national recession. Labour market conditions can have an impact on program results in ways that may seem strange at first glance. When the economy is strong, there should be reasonable job opportunities for participants in work-for-welfare programs and also for non-participants. When the economy is weak, work-for-welfare programs may give an edge to participants over non-participants.

Finally, the precise benefits of providing additional education and training to welfare recipients remain unknown. There is a large body of research that links education and earnings, but most of the relevant studies covered people with little education who voluntarily decided to get more. The likely impact of mandatory education programs is unknown. This gap in knowledge has not deterred U.S. lawmakers from imposing a "learnfare" requirement in federal legislation that is aimed at forcing young mothers on welfare to finish high school.⁶

All these questions also remain unanswered in Canada. Canada's experience in the 1990s could well be different from the U.S. experience in the 1980s, because of differences in the composition of the welfare population and extraordinary and persistently high rates of unemployment in recent years.

Families led by single-parent mothers have traditionally accounted for a huge portion of welfare cases in the United States. Very few welfare recipients are young single people because of the very strict eligibility requirements that exist in all states. In Canada, the Department of Human Resources Development estimates that 27 percent of all welfare cases as of March 31, 1993, were headed by single parents. Single people accounted for 57 percent of the caseload, and some but not all of them were able to work.

Many of the U.S. experiments took place during times of low unemployment. In Canada, the national unemployment rate has been running in the range of 11 percent, and local rates in some areas have been substantially higher.

The last data available from the Labour Market Activity Survey of Statistics Canada for the years 1988 through 1990 showed clearly that the risk of falling back on welfare is about twice the national average in areas where the unemployment rate tops 16 percent. Under conditions of extremely high unemployment, it could be that both participants and non-participants in work-for-welfare programs would get squeezed out of jobs.⁷

In conclusion, the National Council of Welfare hopes that federal government's plans to reform our social security programs will increase the opportunities to work for employable welfare recipients and remove the obstacles that they now face. However, we see no need to follow the example of the United States in work-for-welfare programs.

The data available from U.S. experiments suggests that the results of programs to help people find jobs are something less than dramatic. U.S. studies have not yet shown whether huge government outlays for training and education add substantially to the likelihood of success. And they have failed to prove that it is possible for large numbers of welfare recipients to make the break with poverty and establish themselves in well-paying, permanent jobs.

All these uncertainties cry out for pilot projects to explore new ways of helping welfare recipients become more productive members of their communities. One encouraging initiative is the Self-Sufficiency Project in British Columbia and New Brunswick to help single parents make the jump from welfare to jobs. The project provides earnings supplements for up to three years to welfare recipients ready to work, but whose family needs are greater than entry-level wages. The hope is that participants will gain the experience and connections necessary to progress to higher-level jobs with higher levels of pay within a limited period of time.

The Department of Human Resources Development has organized the venture as a pilot project and engaged outside experts to evaluate the results. That approach, in our view, is one that should be used routinely to make sure that we look before we leap into new areas of welfare and labour market policy.

END NOTES

1. National Council of Welfare, Incentives and Disincentives to Work (1993), pages 46-48.
2. National Council of Welfare, Welfare Reform (1992), page 33.
3. Gueron, Judith M., and Edward Pauly with Cameran M. Lougy, From Welfare to Work (New York: Russell Sage Foundation, 1991). This section of the paper contains information condensed from the book and supplementary information from: Hamilton, Gayle, and Daniel Friedlander with Barbara Goldman and David Long, Final Report on the Saturation Work Initiative Model in San Diego (New York: Manpower Demonstration Research Corp., 1989).
4. Gueron and Pauly, pages 143-145. The data in Table 1 comes from page 143.
5. Ibid., pages 5-6.
6. Ibid., pages 218-219.
7. Incentives and Disincentives to Work, Table 2 on page 11.



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SOCIAL SECURITY BACKGROUNDER #5

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Canada

Every year, the National Council of Welfare publishes a report entitled Welfare Incomes that estimates the amount of money typical families receive from provincial or territorial welfare and other government programs.

One of the most striking features of the report is the huge difference in the amounts received by similar households in different jurisdictions. The variations are far too large to be explained solely by variations in the local or regional cost of living. They arise primarily from the assessments of individual provincial and territorial governments about how much people need to get by.

Differences in welfare incomes are all the more noteworthy because millions of pensioners receive the federal Old Age Security Pension and Guaranteed Income Supplement and benefits from the Canada Pension Plan. All three programs provide benefits that do not vary from one part of the country to another.

This paper compares the typical incomes of welfare households with comparable federal benefits provided by the federal government. The purpose of the exercise is to look for shortcomings in our welfare "safety net" that could be addressed in the course of the federal government's review of social programs.

In the tables that follow, "adjusted welfare incomes" were derived from calculations that were originally done for Welfare Incomes 1993, which is scheduled for publication later this summer. In cases where comparable federal benefits do not exist, estimates were made by the National Council of Welfare, using federal benefits for seniors as the starting point for the calculations.

The first comparison is between the incomes of single employable people who were on welfare the entire year and single people age 65 or older who got all their income from government sources. The "adjusted welfare income" in Table 1 refers to total welfare incomes in Welfare Incomes 1993 minus the federal GST credit and provincial tax credits in provinces where credits were available. These two items were excluded simply to facilitate comparisons. In most cases, low-income people would qualify for credits regardless of the source of their income.

The lowest adjusted welfare income in the table is the \$3,060 a year in New Brunswick, which is far below the next lowest income of \$4,326 in Newfoundland. The highest incomes were \$7,956 in Prince Edward Island, \$7,935 in Ontario, \$7,895 in Yukon and \$11,304 in the Northwest Territories.

<p><u>TABLE 1</u></p> <p><u>WELFARE INCOMES VERSUS FEDERAL ELDERLY BENEFITS</u></p> <p><u>FOR A SINGLE PERSON WITH NO DISABILITIES, 1993</u></p>			
	Adjusted Welfare Income	Old Age Security Pension & Guaranteed Income Supplement	Welfare as % of Federal Benefits
Newfoundland	\$4,326	\$10,036	43%
Prince Edward Island	\$7,956		79%
Nova Scotia	\$5,904		59%
New Brunswick	\$3,060		30%
Quebec	\$5,964		59%
Ontario	\$7,935		79%
Manitoba	\$6,325		63%
Saskatchewan	\$5,760		57%
Alberta	\$5,412		54%
British Columbia	\$6,443		64%
Northwest Territories	\$11,304		113%
Yukon	\$7,895		79%

The figure for the Northwest Territories is higher because of higher living costs in the North and also because the territorial government pays the actual cost of housing, fuel and utilities rather than having fixed ceilings on these items. The figure in the table was calculated

using the maximum amount paid in Yellowknife in 1993 for a single employable person in a bachelor suite.

The federal benefit shown in the table is \$10,036, made up of the Old Age Security Pension of \$4,586 plus the maximum Guaranteed Income Supplement for a single person of \$5,450. By way of comparison, Statistics Canada's low income cut-offs for a single person in 1993 ranged from \$15,452 in gross income for a person living in a large city to \$10,520 for a person in a rural area.

<p>TABLE 2</p> <p>WELFARE INCOMES VERSUS CPP/QPP DISABILITY PENSION</p> <p>FOR A SINGLE PERSON WITH A DISABILITY, 1993</p>			
	Adjusted Welfare Income	Canada or Quebec Pension Plan Disability Pension	Welfare as % of Pension Benefits
Newfoundland	\$8,310	\$9,754	85 %
Prince Edward Island	\$9,048		93 %
Nova Scotia	\$8,400		86 %
New Brunswick	\$8,012		82 %
Quebec	\$7,788		80 %
Ontario	\$11,133		114 %
Manitoba	\$8,046		82 %
Saskatchewan	\$8,280		85 %
Alberta	\$6,582		67 %
British Columbia	\$9,077		93 %
Northwest Territories	\$12,804		131 %
Yukon	\$8,735		90 %

Table 2 compares the incomes of a single person with a disability on welfare and the maximum disability pension available from the Canada or Quebec Pension Plans.

Most welfare programs routinely pay additional benefits to people with disabilities that are not available to other people. People with disabilities may also be eligible for special assistance related to their own personal needs which is not reflected in the table. Alberta has a special program called Assured Income for the Severely Handicapped that operates outside the welfare system.

The disability pensions provided by the Canada and Quebec Pension Plans are only for people under 65 who have severe and prolonged disabilities that make them unable to work. The individuals must also have been in the work force and must have contributed to one of the plans for at least two of the last three years, or five of the last ten years. The maximum benefit in 1993 was \$812.85 a month or \$9,754 a year under both of the plans. It consisted of a flat-rate portion of \$312.33 a month and another portion related to previous earnings. The total of \$9,754 was slightly lower than the \$10,036 available to a single person receiving the Old Age Security Pension and the maximum Guaranteed Income Supplement.

In Table 2, adjusted welfare incomes for single people with disabilities ranged from \$6,582 in Alberta to \$11,133 in Ontario and \$12,804 in the Northwest Territories. All the incomes were noticeably higher than the comparable figures for single employable people in Table 1. Benefits were much closer to the Canada and Quebec Pension Plan disability benefits, and the welfare incomes in Ontario and the Northwest Territories were actually higher than the CPP-QPP income.

Table 3 estimates the incomes of a single parent with one child under age two. The calculations are a bit more complicated, however, because there is no comparable benefit paid by the federal government.

The adjusted welfare incomes in the table are calculated the same way as in the previous two tables. Because there is a child under 18 in each family, the welfare figures include the federal child tax benefit and also child benefits in Quebec that are paid by the provincial government. The reason for including these benefits is that welfare officials in all provinces and territories take the value of child benefits into account when setting welfare rates.

The category "federal elderly benefits plus 30%" is an attempt to estimate an income for single parents with children that is roughly comparable to federal benefits for seniors. A comparable income for the parent alone would be the Old Age Security Pension plus the maximum Guaranteed Income Supplement for a single person. We took 30 percent of that total to come up with a rough level of income support for the child in the family. The figure of 30 percent is admittedly arbitrary, but it is at the low end of the range of equivalent measures used by experts when they calculate poverty lines for a household of two persons versus a household of one.

TABLE 3

**WELFARE INCOMES VERSUS EQUIVALENT FEDERAL BENEFITS
FOR A SINGLE PARENT WITH ONE CHILD, 1993**

	Adjusted Welfare Income	Federal Elderly Benefits Plus 30%	Welfare as % of Federal Benefits
Newfoundland	\$12,495	\$13,047	96%
Prince Edward Island	\$12,285		94%
Nova Scotia	\$11,601		89%
New Brunswick	\$9,713		74%
Quebec	\$11,929		91%
Ontario	\$15,951		122%
Manitoba	\$10,930		84%
Saskatchewan	\$11,614		89%
Alberta	\$10,809		83%
British Columbia	\$12,852		99%
Northwest Territories	\$20,397		156%
Yukon	\$14,345		110%

The incomes of the families on welfare ranged from a low of \$9,713 in New Brunswick to a high of \$20,397 in the Northwest Territories. The totals for Ontario, Yukon and the Northwest Territories all were higher than the comparable federal benefit.

The final table compares the welfare incomes of couples with two children, aged 10 and 15, with another proxy for a federal benefit described as "federal elderly benefits plus 50%." The benefit was calculated as the total of the Old Age Security Pension and maximum Guaranteed Income Supplement for a married person for both husband and wife, plus 25 percent of this benefit for each of the two children. The total works out to \$20,341.

<p>TABLE 4</p> <p>WELFARE INCOMES VERSUS EQUIVALENT FEDERAL BENEFITS</p> <p><u>FOR A COUPLE WITH TWO CHILDREN, 1993</u></p>			
	Adjusted Welfare Income	Federal Elderly Benefits Plus 50%	Welfare as % of Federal Benefits
Newfoundland	\$14,226	\$20,341	70%
Prince Edward Island	\$18,511		91%
Nova Scotia	\$14,512		71%
New Brunswick	\$11,552		57%
Quebec	\$15,376		76%
Ontario	\$21,305		105%
Manitoba	\$17,873		88%
Saskatchewan	\$16,783		83%
Alberta	\$17,523		86%
British Columbia	\$16,775		82%
Northwest Territories	\$24,708		121%
Yukon	\$21,805		107%

For the families on welfare, the lowest amount received was \$11,552 in New Brunswick, and the highest amounts were \$21,305 in Ontario, \$21,805 in Yukon and \$24,708 in the Northwest Territories.

Using federal benefits as a benchmark, it is clear from the tables that single employable persons are in the most precarious position in terms of the income support provided by provincial and territorial welfare programs. Single pensioners who had to get by on \$10,036 from federal income support programs certainly did not live lives of luxury in 1993. While younger people may be able to scrape by with less money under some circumstances, it seems unreasonable to expect a single person on welfare to live on 30 percent of the comparable federal benefit, as is the case for single employable people on welfare in New Brunswick.

The federal legislation that governs the welfare system allows provincial and territorial governments to make most of the major decisions about welfare. The federal role is limited largely to paying a portion of approved expenditures. Welfare rates are set unilaterally by the provincial and territorial governments, with no minimum or maximum rates specified by Ottawa. The comparisons in the tables above, however, raise questions about the adequacy of certain rates in certain provinces and whether minimum standards are needed.

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1% FIBRE RECYCLE 80% DECHETS DE CONSOMMATION
0% FIBRA REICOLADA 80% DESPUES DE CONSUMIR

